

Commission Meeting Minutes
March 14, 2018

Chairman Philip Y. Brown called the meeting (held at the PERAC Office, 5 Middlesex Avenue, Somerville, Massachusetts) to order at 11:25 AM. He then stated that the Commission meeting is being tape recorded and this will be so noted in the minutes.

Chairman Brown acknowledged the other Commissioners present: Commissioners Timothy Dooling, Kathleen Fallon, and Kate Fitzpatrick. Commissioner James Machado participated remotely per the Attorney General's Open Meeting Law 940 CMR 29.10; therefore all votes in this meeting were taken by a roll call vote. Commissioners Robert McCarthy and Jennifer Sullivan were not in attendance.

PERAC Staff Present: Executive Director Joseph Connarton, Deputy Executive Director Joseph Martin, General Counsel and Deputy Director John Parsons, Deputy General Counsel and Managing Attorney Judith Corrigan, Actuary James Lamenzo, Director of Strategic Planning Mike DeVito, Compliance Officer Tom O'Donnell, Senior Associate General Counsel Ken Hill, Associate General Counsel Patrick Charles, Director of Administrative Services Caroline Carcia, Chief Auditor Caryn Shea, Director of Information Systems Dan Boyle, Project Manager Anthony Tse, Senior Systems Engineer Robert Perez, Compliance Analyst Cheryl Johnson, and Senior Executive Assistant Kim Boisvert.

Ms. Boisvert announced the following guests in attendance: Sean Neilon representing the Massachusetts Teachers' Retirement Board, Nick Favorito representing the State Retirement Board, Thomas Gibson representing the Middlesex County and Belmont Retirement Boards, John Lane of the Beverly Retirement Board, Lisa Adams representing the MMA, and Kevin Griffin, a citizen.

Commissioner Fitzpatrick made a motion to adopt the January 10, 2018 Commission meeting minutes. Commissioner Fallon seconded the motion and a roll call vote was taken as follows:

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kathy Fallon YES, Kate Fitzpatrick YES, James Machado YES, and the minutes were adopted.

Actuarial Update

Mr. Lamenzo provided several handouts for discussion. He reported that PRIT's gross 2017 return was 17.7%. He then discussed the recently completed NEPC Study for PRIT. The report shows a decrease in the projected return from last year (30 year average expected return of 7.7%, 5-7 year average expected return of 6.6%).

Mr. Lamenzo then outlined the actuarial value of assets as of 1/1/18 for both the State and Teachers' Systems and noted there is a deferred gain.

Mr. Lamenzo briefly discussed the mortality assumption for the State and Teachers' Systems indicating there would be no significant changes as of 1/1/18.

Mr. Lamenzo next discussed the investment return assumption and outlined his reasoning in recommending reducing this assumption to 7.35% to 7.4% (reduction in NEPC projection, more reliance on short term expectations and the national average assumption continues to decrease). The 7.50% investment return assumption has been used since the 1/1/16 valuation. He indicated he originally planned to recommend a reduction to 7.4% but the NEPC Study was released after his initial work.

Mr. Lamenzo inquired if the Commissioners had any thoughts about decreasing the investment return assumption.

Commissioner Machado raised concerns about decreasing the assumption, potentially higher returns, and how the communities could realistically afford this change.

After further discussion, Mr. Lamenzo was asked his assumption preference and he indicated 7.35%. The Commission was amenable with the 7.35% assumption.

Mr. Lamenzo then showed estimated valuation results for 2018 with several different investment return assumptions. He also discussed an exhibit showing a 5 year projection of valuation results.

Mr. Connarton reported that Mr. John Boorack has passed his final exam and will shortly be considered an Actuary. The Commission sends their congratulations to Mr. Boorack.

Legal Update

Ms. Corrigan reported on *Mui v. Massachusetts Port Authority*, SJC-12296 (1/29/18), *PERAC v. CRAB, Swampscott Retirement Board & Robert Vernava*, SJC-12331, and *Plymouth Retirement Board v. CRAB, PERAC and Michael Daley*, Appeals Court Rule 1:28 decision, 17-P-23.

Legislative Update

Mr. DeVito reported on PERAC's 2017-2018 legislation. H. 19, regarding continuing education credits flexibility received a favorable report from the Joint Committee on Public Service and was referred to the House Committee on Steering, Policy and Scheduling; and H. 20, regarding Section 15(7) determinations was referred to Study, effectively ending its consideration for this session.

Audit Update

Ms. Shea updated the Commission that the auditors are currently auditing the Franklin Regional, Gardner, Milford, Salem and Springfield Retirement Systems. The Massachusetts Port Authority and the Northbridge Retirement System's audit reports were posted on the PERAC Web Page, and the Braintree, Newburyport and Essex Regional Retirement System's six-month follow-up reports were published since the last Commission meeting. Ms. Shea then reported on the respective findings.

Executive Director's Report

Mr. Connarton made note of staff activities that have occurred since the last Commission meeting.

Mr. Connarton reported that Attorney Brian Monahan, representing the Chelsea Retirement Board, has sent in a status report, although this report does not include a Section 15 (7) hearing date for Mr. McLaughlin.

Ms. Corrigan reported that Attorney Monahan has since indicated that he would notify PERAC of a hearing date once it has been scheduled. Ms. Corrigan then said that she has not heard if the Attorneys for the Chelsea Housing Authority ("CHA"), present at the January 10, 2018 Commission meeting, has gone to court to stop the Section 15 (7) hearing. She reminded the Commission that the CHA attorney indicated their opposition to Mr. McLaughlin's Section 15 (7) being scheduled first.

Mr. Connarton updated the Commission about the NCPERS Legislative Conference and referred to the materials in the monthly package. He reported that Commissioners Fallon and Fitzpatrick also attended and Mr. Moitoso made a presentation about Chapter 176 of the Acts of 2011. Mr. Connarton believes that this conference is very informative and relevant to the pension community.

Mr. Connarton stated that the Commission voted on January 10, 2018 to open certain Executive Session minutes which are now considered public records. A copy of these minutes was included in this month's Commission packet.

Mr. Connarton then mentioned that the 2018 Personnel Manual and Annual Policy Review have been updated and provided to the Commission for informational purposes. He then stated that the State Ethic's Commission has distributed the Conflict of Interest Law and Mandatory Education notice. Mr. Connarton requested that Commissioners sign the acknowledgement and provide to Ms. Boisvert for our records and, if necessary, complete the training requirements.

Mr. Connarton stated that included in the monthly packet is an article that the Commission may be interested in reading entitled *NYC is Putting Politics Ahead of Pension for Workers* produced from The Hill.

Finally, Mr. Connarton suggested an Administrative Sub-Committee in the near future to discuss the new Executive Director Performance Evaluation form and other matters. It was decided that the meeting be held at 10:00 AM on Wednesday, April 11, 2018 just prior to the next Commission meeting.

Commission Travel

Mr. Connarton notified the Commission about the upcoming 2018 NCPERS Annual Conference & Exhibition (ACE) being held May 13-16, 2018 in Times Square, New York should there be any interest in attending.

Commissioner Dooling made a motion to grant permission for any interested Commissioners and staff to attend the above conference. Commissioner Fallon seconded the motion and a roll call vote was taken as follows:

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kathy Fallon YES, Kate Fitzpatrick YES, James Machado YES, and the motion was adopted.

Compliance Update

The Commission turned its attention to the matter of Mr. Thomas Kelly, Chairman of the Methuen Retirement Board, and his apparent failure to get the amount of educational credits mandated by the statute. Mr. Kelly was not present in this meeting.

Mr. O'Donnell stated that, in his opinion, Mr. Kelly does not have the necessary number of educational credits which are required of board members by statute for his 3 year term. He then recapped the educational requirements of Chapter 176 of the Acts of 2011 and explained PERAC's review process. He continued that Mr. Kelly has submitted some affidavits and the Methuen Board Administrator has submitted some excel spreadsheets regarding Mr. Kelly's credits. Mr. O'Donnell challenged the validity of the affidavits and the spreadsheets provided for a number of reasons. Mr. O'Donnell recommends that Mr. Kelly not be allowed to serve an additional term.

Mr. Connarton reported that Mr. Kelly has requested an additional extension, in writing, as his Administrator has not been in the office for an extended period of time and he would like to keep some consistency in the office. Mr. Connarton stated that he explained that the Commission has been more than fair in this situation while awaiting additional creditable information regarding his educational credits. If the Commission decides to remove Mr. Kelly from the Retirement Board he is still eligible to keep his position with the City and the Mayor would be required to replace the position on the Board.

Mr. Connarton inquired if the Commission would like to take a vote on the Mr. Kelly matter.

Commissioner Machado made a motion to remove Mr. Kelly from the Methuen Retirement Board for failing to meet his educational credit requirement.

Discussion ensued regarding what consequences would occur if this matter were taken up in April, due to the lack of a quorum in February essentially an extension has already been given, the Commission has been very compassionate in this matter, the statute is clear and PERAC must follow the statute, and if the PERAC educational bill passes the result could be different. PERAC will face this type of situation again in the future.

Commissioner Fitzpatrick seconded the motion and a roll call vote was taken as follows:

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kathy Fallon YES, Kate Fitzpatrick YES, James Machado YES, and the motion was adopted.

Mr. O'Donnell then reported on the educational graphic showing over 100 board members having taken classes thus far in 2018. Mr. O'Donnell finally reported that 34 vendor acknowledgements have been processed for several different asset classes so far in 2018.

Executive Session

At 12:15 PM Chairman Brown stated that the Commission would go into Executive Session to discuss strategy with respect to litigation because discussion in an open meeting may have a detrimental effect on the Commission's litigating position. A roll call vote was taken to go into Executive Session as follows:

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kathleen Fallon YES, Kate Fitzpatrick YES, and James Machado YES, and the motion was adopted.

Chairman Brown announced that the Commission will reconvene in open session in about 10 minutes, after the completion of the Executive Session.

A roll call vote was taken in Executive Session to adjourn the Executive Session and return to open session at 12:35 PM.

Other Business

Commissioner Dooling ratified the vote taken in Executive Session to remove Mr. Lane from the Beverly Retirement Board for failing to meet his educational credit requirement. Commissioner Fitzpatrick seconded the motion and a roll call vote was taken as follows:

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kathy Fallon YES, Kate Fitzpatrick YES, James Machado YES, and the motion was adopted.

Chairman Brown stated that the next Commission meeting will be held on April 11, 2018 at 11:00 AM with an Administrative Sub-Committee meeting that morning at 10:00 AM.

Commissioner Fitzpatrick made a motion to adjourn the meeting. Commissioner Dooling seconded the motion and a roll call vote was taken:

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kathy Fallon YES, Kate Fitzpatrick YES, James Machado YES, and the motion was adopted. The meeting adjourned at 12:36 PM.

Commission Meeting Documents

Commission Agenda for the meeting of March 14, 2018
Commission Minutes from January 14, 2018

Actuarial Update

Commonwealth 2017 Valuation Results and 2018 Estimates

Legal Update

Legal cases:

Mui v. Massachusetts Port Authority, SJC-12296 (1/29/18)

PERAC v. CRAB, Swampscott Retirement Board & Robert Vernava, SJC-12331

Plymouth Retirement Board v. CRAB, PERAC and Michael Daley, Appeals Court Rule 1:28 decision, 17-P-23

Legislative Update

Monthly Legislative Agenda and bullet points outlining legislation

Audit Update

Recent PERAC audits and six-month follow-up audits

Executive Director's Report

Updated Staff Activities Memo

Correspondence to and from the Chelsea Retirement System

NCPERS Legislative Conference Materials

2017 Executive Session Minutes dated 09/13/17, 10/11/17, and 12/13/17

2018 PERAC Annual Policy Review and Personnel Manual

State Ethics Conflict and Interest Law

Media Articles of Interest

Commission Travel

NCPERS Annual Conference Registration and Agenda, May 13-16, 2018

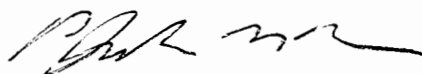
Compliance Update

Informational Packet regarding Mr. Thomas Kelly

2018 Education Course Completion Chart

PERAC investment acknowledgement report

Approved:



Philip Y. Brown, Chairman
Public Employee Retirement
Administration Commission